

Alert to Military Personnel About Payday Loans



A “payday loan” is a transaction that allows you to write a personal check to get a quick cash loan from a lender who agrees to hold the check until your next payday, or up to 31 days. These loans go by many names, including “cash advance loans,” “post-dated check loans,” or “deferred deposits.” Payday lenders charge a very high fee for this service and will sometimes encourage you to delay repaying the loan if you continue paying the monthly fee over and over.

For example, to borrow \$255 for 30 days you will write a post-dated check to the payday lender for \$300. The \$45 fee included in your check represents an interest rate of 15 percent, or an annual percentage rate (APR) of 215%! When the loan is due you must pay it off in full – however, the payday lender may encourage you to pay off the \$300 loan and immediately take out another new loan for the same amount. **This is a dangerous cycle that often leads to a financial disaster!**

Payday lenders have strategically targeted their services to military personnel as a “quick solution” for “easy cash” to cover expenses such as an engagement ring or for unexpected items such as car repairs or to avoid bounced check fees and late payment penalties.

Before taking out a high-risk payday loan, be sure to understand the laws governing these transactions. Specifically, you should understand that:

- If you do not pay off the \$300 loan when originally agreed, the payday lender cannot “roll over” your loan and charge an additional \$45 at each due date
- A payday lender cannot make a new loan to you and use those funds to pay off an existing loan
- Your same check cannot be used in more than one transaction
- If the payday lender chooses to offer an extension of time or payment plan for an existing loan, additional fees cannot be charged
- If your check does not clear the bank the payday lender may charge you up to \$15 for the return of your bounced check

Before taking out a high-risk payday loan, consider these alternatives:

- Contact the Navy-Marine Relief Society to inquire about financial assistance
- Find out if you have or can set up overdraft protection on your checking account
- Request more time from creditors to pay your bills. Find out what they will charge for this service – a late charge, an additional finance charge, or a higher interest rate

If you must take out a payday loan:

- Check to make sure you are dealing with a licensed payday lender (a payday lender licensed by the Department of Corporations must post their license at the authorized place of business)
- Borrow only as much as you can afford to pay with your next paycheck
- If you have a complaint against a payday lender contact the Department of Corporations at 1-866 ASK-CORP (1-866-275-2677)

Take Aim Before You Invest – TAPS Can Help

Toll Free 1-866 ASK-CORP